

Statement of Chairwoman Sue Kelly
Subcommittee on Oversight and Investigations
"Oversight of the Department of Treasury"
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The war against terrorism is the single most important challenge facing the federal government today.

Our task is made difficult by the insidious methods of our enemies, and also by the bureaucratic inertia inherent in a fundamental reorganization of our government's priorities.

This hearing today is important because we will examine the specific difficulties faced by the Treasury Department in adapting to its new, critical purpose in battling the illicit funding networks upon which our enemies rely.

It is evident that the fight against terror financing must go well beyond ensuring compliance with the Bank Secrecy Act, but this law is at the foundation of our efforts.

When that law is flouted as egregiously as in the Riggs case – or as consistently as the Inspector General suggests – it is our duty to respond so that such failures are bad memories instead of perpetually looming possibilities.

We cannot afford to ignore any problems in the system charged with the enforcement of our anti-money laundering law. I believe the fragmented nature of our anti-money laundering system is structurally not capable of keeping pace with the demands of the war on terror.

I believe we ought to establish a single office dedicated to ensuring compliance with the Bank Secrecy Act.

To those who resist this proposal, I would hope that there is at least recognition of the need to establish a vigilant watch tower above the vast expanse of bureaucracies that are currently responsible for the Bank Secrecy Act.

There must be a unifying center to our anti-money laundering efforts.

Mr. Fox's recent proposals to strengthen FinCEN's role in BSA compliance, including the establishment of an Examination Program Office, are important steps in that direction.

But if we're going to fully establish the integrated, accountable oversight regime we clearly need, FinCEN should be equipped not just for observation but also for action.

FinCEN needs the compliance examination capabilities it currently lacks. Its efforts should be reinforced with criminal investigative powers that are largely absent from our anti-money laundering system.

Though FinCEN has been given statutory responsibility for the Bank Secrecy Act, it has few resources and is easily marginalized by the front-line regulators.

Consider the six-year lag between when the OCC noticed problems at Riggs and when FinCEN was made aware of them.

A clean money compliance force at FinCEN could unify our anti-money laundering responsibilities and even broaden our efforts by examining financial sectors that currently have no regulator.

With the ability to deploy its own examiners to trouble spots and literally look over the shoulder of the regulators, FinCEN could ensure a strong focus on high-risk transactions, such as those that occurred under our own nose at Riggs with their Saudi clientele.

And as we read reports about the Saudi Embassy's continuing search for a bank to replace Riggs, the establishment of these new powers could provide greater certainty to our hopes that the era of free-wheeling, unregulated Saudi cash infusions to Islamic militants in our own country are over.

On a related note, I hope that Treasury will give serious consideration to the proposal made yesterday by the Independent Task Force on Terrorist Financing.

Among its recommendations were that Congress enact a Treasury-led certification regime on terrorist financing that would annually report to Congress the efforts of other countries to combat terror funding, and would impose sanctions on countries that fail to perform up to standard.

A system like this could provide a useful lever in securing better cooperation from recalcitrant governments such as the Saudis, who have facilitated the flow of funding to terrorist organizations despite their protests to the contrary.

This administration has done a remarkable job in getting the Saudis to enact the reforms we have seen recently, but we must never forget that we are dealing with a government that has been a chief financial supporter of the fanaticism that led to the murder of more than 3,000 people on September 11th.

I am also deeply concerned by the circumstances surrounding the UBS case in which flagrant mismanagement of a U.S. currency depot overseas resulted in our currency being shipped to countries currently under U.S. sanctions.

While the Fed was the front-line regulator responsible for this failure, we clearly need to examine ways to ensure that Treasury Department sanctions are enforced and that the ECI program is implemented properly. I'm interested in learning more about how OFAC and other Treasury assets might be better utilized in the future.

On a final note, I am very interested in how Treasury intends to handle the pending expiration of the Terrorism Risk Insurance Act (TRIA).

While TRIA was designed as a temporary bridge to the development of a functional, private sector terrorism insurance market, a recent study by the General Accounting Office concluded that there is not a sustainable marketplace for this coverage after the program expires. In addition, the NAIC, representing 51 bipartisan state insurance commissioners, agrees that we must act this year to avoid the market disruptions we are already beginning to see.

Given the state of the insurance marketplace and the continuing threat of terror, I believe it in the best interest of the American people that we consider retaining a systematic approach in place to protect our country's economic security. In fact, I recently sent a letter to Secretary Snow, signed by 183 of my colleagues, urging the Treasury Department to extend the make available provision which expires at the end of this fiscal year, and to support the overall continuation of this critical program.

There is broad, bipartisan support in this committee and in the House for doing so, and I hope to learn more from Treasury as to how they intend to handle this matter.

Thank you, I look forward to today's testimony.